

## Increasing flexibility at labor market entry and in the early career: a new conceptual framework for the flexCAREER project

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**Increasing flexibility at labor market  
entry and in the early career**

A new conceptual framework for the  
*flex*CAREER project

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## ABSTRACT

Continuous full-time work is becoming less frequent in modern societies. Instead, flexible forms of employment such as part-time work, fixed-term contracts, and self-employment as well as phases of unemployment are gaining importance. These trends are supposed to be more pronounced at labor market entry, leading to a prolonged entry process and increasing difficulties in becoming established on the labor market. However, there are vast differences between countries with regard to forms of labor market flexibility and the degrees of uncertainty young people have to face.

This working paper provides a theoretical framework for the empirical studies within the *flexCAREER* research program. The aim of *flexCAREER* is to study the consequences of employment flexibility strategies on labor market entries and early careers as well as their impact on structures of social inequality in a cross-country perspective. We explain the reasons behind the rise in employment flexibility and develop hypotheses with special regard to nation-based institutional differences. In particular, we describe which role institutional settings such as the educational system, production regimes, employment protection legislations, and labor market policies play in determining the consequences of employment flexibility strategies. We focus on the institutional contexts of Great Britain, the USA, Germany (East and West), France, the Netherlands, Italy, Spain, Denmark, Sweden, Estonia, and Hungary, which are the countries under study.

The hypotheses in this working paper concern the following aspects: 1) the phase of labor market entry in terms of a) the duration of search for the first job and b) the quality of this first job (with regard to the flexibility of the employment contract and the 'adequacy' of the job with respect to the employee's educational qualification). 2) In view of the early career, we outline our expectations in terms of a) the risk of unemployment, b) the chances of re-entering the labor force when unemployed (e.g., with regard to the duration of unemployment until finding a new job), c) upward and downward mobility, d) the chances of leaving precarious work at the beginning of the career, and e) the risk of making a transition into a precarious form of employment.

# Increasing flexibility at labor market entry and in the early career

A conceptual paper for the *flex*CAREER project

*Erzsébet Bukodi, Ellen Ebralidze, Paul Schmelzer and Ilona Relikowski*

## INTRODUCTION

Globalization is the key concept by which the media, policy makers, and scientists have tried to explain the acceleration of social and economic processes and the changes in employment careers in the recent past (Waters 2001). As outlined by Mills and Blossfeld (2005), globalization can be characterized by four interrelated structural shifts that have transformed the life courses in modern societies during the last two decades: 1) the internationalization of markets and the decline of national borders; 2) the rapid intensification of competition between firms based on deregulation, privatization, and liberalization within nation states; 3) the accelerated diffusion of knowledge and the spread of global networks that are connecting all kinds of markets on the globe via new information and communication technologies (ICTs); and 4) the rising importance of markets and their dependence on random shocks occurring at any place in the world. Together, these global mechanisms imply that capital and labor have to be increasingly mobile, forcing firms to continuously adjust. Furthermore, these global developments are generating an unprecedented level of structural uncertainty in modern societies.

It has been argued that these developments have caused a rise in employment flexibility in all OECD countries during the last decades (Castells 2000). The restructuring of firms and organizations, stimulated by the globalization process, and the associated shift in bargaining power between capital and labor (in favor of the first) are at the core of the macro changes in the labor market. These transformations paved the way for employment flexibility, e.g., in the form of the weakening of dismissal protection and the diffusion of fixed-term contracts, part-time work, and semi-independent forms of employment (Castells 2000).

Several studies have noted that the risks of employment flexibility (e.g., unemployment and fixed-term contracts) vary for different groups in the labor market. Whereas mid-career men who are typically the ‘insiders’ are still relatively well sheltered in most countries, the groups that are still or again outsiders of the labor market are much more endangered (OECD 1998; Blossfeld et al. 2005; Blossfeld, Mills and Bernardi 2006). Labor market entrants and, in many countries, women (in particular, after an employment interruption) are most at risk for experiencing labor market flexibility.

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To study the dynamics of labor market entry and the first years of the employment career is highly relevant, since these processes determine to what extent young adults are able to build up and secure a certain standard of living, to establish and maintain their social status, to attain and retain social relationships, and to develop a personal identity (Münch 2001). Not every young adult will experience a smooth transition into the labor market and subsequently a successful employment career. To analyze which groups are more or less successful and how this has changed across cohorts can give an idea of how the formation of social inequality structures proceeds over time.

However, we still know surprisingly little about the employment dynamics of labor market entrants during recent decades and their variation between countries with different institutional packages. Most studies compare only a small number of countries (e.g., Brauns, Gangl and Scherer 1999; Gangl 2003; Scherer 2004), some of them are cross-sectional and are thus not able to capture employment dynamics (e.g., Shavit and Müller 1998; OECD 1998; Bowers, Sonnet and Bardone 1998; Schömann, Rogowski and Kruppe 1998). Although Blossfeld et al. (2005) do cover a large number of societies and do use longitudinal methods, their main goal is to understand how employment insecurities at labor market entry impact on partnership and family formation. Therefore, the variation in flexibility strategies between countries with different institutional packages as well as the study of the dynamics of the early employment career is beyond the scope of their study. Other volumes also cover a large set of countries, but they focus mainly on the school-to-work transition and not on the relationship between the characteristics of employment entry and the early career, and not on the dynamics of how the early career depends on the smoothness of labor market entry (Müller and Gangl 2003; Kogan and Müller 2003).

Therefore, the main objective of this project is to study the dynamics of flexibilization and labor market risks by investigating processes of employment entry and early career paths. We ask how flexibility processes differ between the countries under study and further, whether certain socioeconomic groups are affected by flexibilization to a larger extent than others. Thus, our interest is not simply how easily young adults are able to acquire an initial employment position, but how their career develops further. In particular, we are interested in the process how young people obtain an 'established' position in the labor market.

More specifically, we focus on the following questions: what does becoming 'established' or achieving a secure employment position mean for youth in different national contexts, and has it changed in the last decades due to the growing flexibilization? Is there a global trend towards more unstable, longer career entries or are there substantial national differences in this respect? Different flexibility forms that employers implement cause special kinds of uncertainty for their younger employees. One of the central questions of this research is whether a difficult employment entry typically leads to an entrapment or if it simply represents a stepping-stone towards a smooth employment career. To put it differently, we ask if flexible forms of employment are more or less a

temporary phenomenon for younger cohorts, concerning only people who have just entered the labor market, or if flexible employment relations are permanently succeeding in the labor market with the entry of new cohorts.

Our next set of crucial questions addresses whether changes in youth employment trajectories result in the individualization of inequalities or – on the contrary – lead to the strengthening of prevailing inequality structures. Who are the winners and losers among young people of these major transformations? Will there be increased uncertainty, inequality, and instability for all young individuals as proposed by Beck (1992; 2000), or can we expect the traditional inequality patterns based on educational resources and occupational class to persist as claimed by authors such as Goldthorpe (2002) and Breen (1997)? In other words, does higher human capital ensure more rapid labor market entrance and further career development, or does class shelter certain young people more against the risk of unemployment and downward mobility? More generally, does class become an ‘empty’ expression that no longer serves as an important predictor for life chances or do certain institutional filters channel uncertainty and inequality to specific (youth) groups more than to others?

The final central question asks: how does flexibilization impact the employment careers of young people across various employment regimes? Specifically, how do the domestic institutions across the different nations filter the transformations brought on by growing flexibilization? Countries differ significantly with respect to the characteristics of their educational system, the strength of their labor market regulations, and the nature of their employment sustaining policies. How do these differences affect young people’s employment trajectories? Does the uniform trend towards more flexible labor markets cause the careers of youth in various countries to become more alike? Is there a convergence in career patterns or are these changes strongly path-dependent?

In order to answer our research questions, we suggest distinguishing between four employment regimes to cluster the 11 societies covered by this research. Taking the basic attributes of labor market regulations, employment sustaining policies, and educational systems of the countries into account, the following typology has been developed: Germany, France, Sweden, Italy, and Spain represent the insider-protection employment regime. The so-called ‘flexicurity regime’ includes Denmark and the Netherlands. We classify Hungary and Estonia into the post-socialist or transition regime; and, finally, the United Kingdom and the United States are falling into the liberal cluster.

We intend to tackle our research questions by observing individual career paths over several years after labor market entry and by trying to reveal the factors responsible for either a good or a bad career start. In the country studies, we investigate 1) the phase of labor market entry in terms of a) the duration of search for the first job and b) the quality of this first employment; 2) the early career in terms of a) the risk of unemployment, b) the chances of re-entering the labor force when unemployed (e.g., with regard to the duration of unemployment until finding a new job), c) upward and downward mobility, d) the chances of

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leaving precarious work at the beginning of the career, and e) the risk of making a transition into a precarious form of employment.

The structure of this paper is as follows: In section 2, we discuss the reasons behind the increase of labor market flexibility and its consequences for young people at the beginning of their careers. In the third section, we explain why certain groups of labor market entrants and young employees are more endangered to end in a precarious job than others. Then we give a detailed description of the importance of educational regimes, labor market regulation strategies, and employment sustaining policies in filtering the impact of flexibilization on young adults' labor market entry processes and early employment trajectories. Finally, we discuss the analytical strategy used in this comparative volume.

### **RISING EMPLOYMENT FLEXIBILITY AND THE CONSEQUENCES FOR YOUNG PEOPLE AT THE BEGINNING OF THEIR CAREER**

Continuous full-time work is becoming less frequent. Instead, 'non-standard' employment forms such as part-time work, fixed-term contracts, and self-employment without employees are gaining importance. These trends are supposed to be more pronounced at labor market entry, leading to a longer entry process and increasing difficulties in becoming established in the labor market (Blossfeld et al. 2005). In this section, we clarify the mechanisms behind the flexibilization of employment relationships, namely the transfer of risks and uncertainties related to globalization from employers to their employees. We explain why young people who have entered the labor market in recent years are more likely to start in more flexible, precarious jobs than older generations of labor market entrants. In every country, people experience different levels of security types, and in every country context, companies apply different forms of employment flexibility to young labor market entrants. We describe various forms of security and flexibility and illustrate how these might be combined in a country – providing the frame for certain forms of uncertainty on the individual level. Depending on the institutional context, the youth in different countries find different ways to deal with increasing flexibility and uncertainty. Prolonged stays in the (higher) educational system can be interpreted as an alternative to unemployment. Another strategy is the combination of school and work – an option more and more young people take to more safely get a foothold in the labor market without running out of perspectives in case something goes wrong. These issues will be explained in more detail in the end of this section.

#### **The shift of global market risks to labor market entrants**

As Elster (1979) points out, an effective technique to reduce choice complexity of long-term courses of action under uncertainty is committing oneself to specific actions in the future. This so-called '*self-binding*' makes one's promises

to significant others (e.g., partners, actors in industrial relations) more credible; it enhances the trust that actors have in each other and enables them to interact and cooperate more effectively (Elster 1979).

So on the one hand, self-binding is a prerequisite for creating certainty as well as credibility and trust in one's interactions with others. However, on the other hand, it diminishes the ability to react flexibly, though some unpredictable economic developments might require exactly this. Breen (1997) argues that for employers in modern societies, the attraction of long-term commitments declines due to the volatility of labor, capital, commodity, and financial markets. Companies respond to this phenomenon by transferring market risks to their employees. For these processes, Breen uses the notion of '*recommodification of risks*.' With regard to commitment, he speaks of '*contingent asymmetric commitment*,' referring to employers having the option to withdraw from employment contracts at any time (and so remain flexible), while employees have no other choice than to accept this decision. This is one of the reasons behind the rise in employment flexibility in many industrialized countries.

Breen's (1997) concept of contingent asymmetric commitment is also useful for explaining why young people are likely to experience labor market flexibility. For several reasons, companies can not transform all their long-term binding commitments to their employees into short-term ones. Some of their long-term relationships are well protected by law (e.g., employment contracts of mid-career employees in Germany), while others employers want to retain in their own interest (e.g., contracts of skilled employees who are hard to replace). In order to sustain their business in a regulated manner, it is necessary for firms to keep a more or less stable core of experienced employees. Among these people are many men in their mid-careers who are relatively well protected from labor market flexibilization measures (Blossfeld, Mills and Bernardi 2006). On the other hand, considering the increasing dynamics and volatility of outcomes of globalizing markets, being able to promptly adapt its own workforce to changing demands is a strategic advantage for each company.

Consequently, when employers try to shift their market uncertainties to their employees (Breen 1997), they do not treat them alike. There are two main *reasons* why we believe labor market entrants and young employees are more likely to be in a flexible form of employment: in contrast to the more experienced, well established employees, the entrants are *outsiders of the labor market*. Their lack of work experience, seniority, a lobby, and networks makes it very difficult for them to get access to the employment system. Thus, to get a first job, labor market entrants (have to) accept contracts containing any form of labor market flexibility. Many employers will try to implement a combination of numerical/temporal flexibility in the form of fixed-term contracts for them. This issue is more important in so-called 'insider-outsider labor markets' with 'closed' employment relations (e.g., Italy, Spain, Germany, France, and Sweden). In countries with more deregulated 'open' labor markets, the majority of employees face labor market flexibility, irrespectively of their seniority or



experience: either in all (e.g., in the USA and in Britain) or at least in some (e.g., in Scandinavian countries) forms.

An additional explanation is given with employers who offer labor market entrants temporary posts in order to *screen their work potential*. This argument is stronger for countries with on-the-job training systems (e.g., USA and Britain) but nevertheless also true in general. It is costly to dismiss employees who are on permanent contracts. In this context, young people in their early career are more likely to be exposed to numerical flexibility – ‘the last hired, the first fired,’ especially during periods of economic recession.

### **Flexibility, security, and uncertainty**

Usually labor market researchers speak of ‘*perceived (job) security*’ to denote people's feelings about issues related to the future of their employment situation (OECD 1997; ILO 2005). This aspect is regarded as an important complement to standard objective measures, such as job tenure. Perceived security is usually assessed by surveys applying questions on job security to workers in different countries. As a result, one gets measures such as “the percentage of respondents who do strongly agree with the statement ‘my job is secure’” (OECD 1997: 130). The distinction between ‘objective’ and ‘subjective security’ (the latter correlating with perceived security) is a useful analytical strategy to link macro-level changes caused by globalization and different forms of rising employment flexibility with the micro-level of individual perception in terms of ‘uncertainty’ and related behavioral outcomes.

‘Perceived security’ and uncertainty can only be assessed by interviewing or by observing people and drawing conclusions from their behavior under certain conditions. However, in our project, we mainly consider kinds of security as they are given ‘objectively’ by observing the interplay of relevant institutions and by taking macro-economic developments into account. Hence, when we use the notion of ‘security’ in this and the following sections, we refer to the objective level of security. For our purposes, the combination of different kinds of security with different employment flexibility strategies is of interest, since it provides the frame for individual uncertainties. In this sub-section, we describe various forms of flexibility and security and illustrate how these are merged in different countries. It is a country's educational regime as well as its system of employment relations, its labor market policies, and its income transfer system that are responsible for possible combinations of flexibility and security, providing the background for uncertainties on the part of individuals.

It is common to distinguish five *types of flexibility strategies* companies apply to meet a changing demand (see for example Atkinson 1984; Bruhnes 1989; Regini 2000): first, by means of *numerical flexibility*, companies adjust the number of employees, e.g., by using fixed-term contracts or layoffs; second, *externalization* means the outsourcing of certain tasks, e.g., by subcontracting self-employed people who do not get an employment contract; third, *wage flexibility* describes the range, which employers have for the adjustment of wages

or benefits to changing market conditions; fourth, *temporal flexibility* means the option of adjusting working times, e.g., by employing some people only for those hours or days when there are work peaks – in this case, part-time contracts are used; finally, *functional flexibility* refers to what extent employees are enabled to take over a wide spectrum of tasks by means of training and further education as well as incentive systems.

The first four flexibilization strategies can lead to a less favorable labor (market) situation for employees; some of them also influence the risk of unemployment. We consider such employment forms that are related to a higher level of uncertainty than a permanent, averagely paid, socially secured full-time job to be *precarious* (Kurz and Steinhage 2001; Kim and Kurz 2003; Mills and Blossfeld 2003). Which employment flexibility strategies are applied in a country is closely related to the kinds of security that are provided in a given institutional context.

Three kinds of security are important here<sup>1</sup> (Bredgaard, Larsen and Madsen 2005): first, *job security*, i.e., the security of being able to stay in the same job; it can be expressed via employment protection legislation and tenure with the same employer. Second, *employment security*, meaning the security of staying employed – though not necessarily in the same job; it is dependent on the general employment situation, active labor market, training, and education policies. The distinction between job security and employment security is very important; we will refer to both kinds of security several times in the following sections. Finally, *income security* relates to the security of having an income in case of unemployment, sickness, or accidents; it is provided by income transfer systems, such as unemployment and cash benefit systems as well as pension funds.

The three types of security are interrelated, furthermore, in every country, a specific *combination of flexibility and security types* can be found. For instance, in countries with generally high job security, permanent employees are covered by relatively high dismissal protection, which has induced enterprises to increase flexibility in the workforce by hiring groups of temporary workers on fixed-term contracts (e.g., in France, Germany, the Netherlands, Italy, and Spain). These ‘atypical’ workers often have a lower level of income security (e.g., rights to unemployment benefit, pensions, and holidays). Conversely, for the permanent ‘core’ employees, their high level of job security is often combined with high income security (e.g., in France, Germany, and Sweden). In countries following a flexicurity strategy (e.g., Denmark and the Netherlands), the concept of job security is replaced by employment security, and a high level of labor market flexibility is combined with high unemployment benefits (income security) and active labor market policies.

Uncertainties on the individual level have to be interpreted against the background of such combinations of flexibility and security. The notion of ‘*uncertainty*’ refers to the psychosocial dimension of unknown future developments. Usually an individual’s choices are led by reliable distinctions, e.g., wise vs. foolish, useful vs. not useful, profitable vs. unprofitable etc. These are guiding principles for making the right decisions based on what a person

expects to happen in the future (Baumann 1999).<sup>2</sup> If future developments, e.g., regarding one's attachment to the labor market and one's economic situation become uncertain, these guiding principles become hard to attribute to different options. For young people trying to plan their future, this means they sometimes simply do not know what the right thing to do is in order to achieve their personal goals – or even: what their goals should be. Consequently, higher levels of uncertainty increase the difficulties for them to make choices and long-term binding life course decisions, which may translate into reactions such as opting for cohabitation instead of marriage or forgoing a partnership and parenthood until they feel they have obtained adequate certainty for their future life path (Blossfeld 1995; Mills and Blossfeld 2005; Kurz, Steinhage and Golsch 2005; Mills 2004; Oppenheimer 1988, 2003; Oppenheimer, Kalmijn and Lim 1997).

Uncertainty may be given in case of low job security, e.g., when dismissal protection is low; it becomes particularly severe in combination with missing employment security, i.e., when the chances of finding a new job are low (e.g., when the general employment situation is not good and active labor market policies are missing). With regard to income security, the likelihood of experiencing uncertainty is higher for young people in countries with limited or highly conditional unemployment benefits; it is generally high for self-employed workers, due to a lack of protection measures for them. Working on basis of a fixed-term contract in a country with low employment security also promotes uncertainty. It may as well be linked to part-time employment, since part-time jobs are associated with low earnings compared to full-time jobs, usually leading to a low level of compensation in case of unemployment, and usually not covering a person's subsistence. However, this is dependent on the given household situation (Kronauer and Linne 2005), and ideally it should be taken into account whether a person voluntarily works part-time or if she or he was not able to get a full-time job.

In some country contexts, one possible reaction of young people to uncertainty is to remain in the educational system longer and/or to combine school and work, as we will explain in the following sub-section.

### **The trend of remaining in education**

Their higher risk to start their career in a flexible, precarious job and the related uncertainty has consequences for labor market entrants. Apart from the aforementioned effect on the timing of marriage and family formation, we assume that there is an impact on the pattern of labor market entry processes. When comparing the cohort-specific attendance rates across various levels of education for different countries, a *prolonged extension of school participation* over time becomes apparent (Klijzing 2005). This trend is at first related to educational expansion, but for some countries, it also has to be interpreted in context of the uncertainties young people are facing in the labor market today. For some youth, the educational system may seem a 'safe resort' compared to the threats of the world of employment. Two different trends emerge from this.

The first one is to *remain in full-time education longer*. Where this *alternative role* is socially accepted, prolonged stays in the (higher) educational system are an *option for otherwise unemployed youth* (Offe 1977). E.g., as Róbert and Bukodi (2005) have pointed out, the increased demand for higher education in post-socialist countries could also be at least partially attributed to the larger proportion of young people opting for extension of their studies in order to escape increasing youth unemployment and postpone labor market entry. It should be mentioned that there is a relation to the national support systems for young adults who prefer to stay in education. Some countries such as Germany, the Netherlands, Denmark, and Sweden have a more generous system of education grants or loans, which is in contrast limited (e.g., in Great Britain, France, and post-1990s Estonia), highly insufficient (e.g., in the United States), or virtually non-existent in other countries such as Italy, Spain, and Hungary. However, the existence or non-existence of tuition fees also has to be taken into account. In fact, this factor even seems to be of higher relevance: e.g., in spite of missing education grants or loans, attendance rates of tertiary education are increasingly strong in Southern European countries like Italy and Spain (Guerrero 1995) where tuition fees are not charged. These young people are either supported by their parents, or they have to work while still in education.

This is the second trend responsible for the observed extension of school participation over time: *the strategy of combining school and work* (Mills, Blossfeld and Klijzing 2005) – either by doing both at the same time (part-time education combined with part-time work) or to alternate between phases of (full-time) education and work. There are various reasons why young people may decide to combine both: related to different support systems but also to the costs of living, in some countries, young people simply have to work in order to *finance their studies*. However, *getting work experience* while still in education may also be a wise tactic to get a foothold in the labor market. It has a *signaling effect* on employers that a person has the talent to organize herself/himself and is able to juggle multiple tasks and cope with a heavy workload. Above that, for the young employee, it is an opportunity to get experience and connections, thereby helping to *build up a network* in the labor market – with one foot still in the safe resort of the educational system.

In their study on ‘Globalization, Uncertainty and Youth in Society,’ Blossfeld et al. (2005) revealed that particularly in liberal countries, youth follow the strategy to “to *take on multiple roles* such as combining school and work” (Mills, Blossfeld and Klijzing 2005: 439). They explain this finding by referring to the educational systems in these countries. However, many youth working while they were still in education could also be observed in Hungary and the Netherlands as well as in Spain, where this behavior “served as a protective strategy [...], with those who combined education and work being significantly less likely to fall into unemployment” (Mills et al. 2005: 439).

There is probably also a comforting psychological effect of still keeping one’s options open while the first working experiences are not so good. However, it is strongly dependent on the openness and flexibility of a country’s educational

system whether combining school and work is a real option for young people. In Sweden and Denmark, e.g., the conditions for doing so are good: their school systems are almost free of educational dead-ends; students finishing vocational training are in principle eligible for studies at higher levels, although additional qualifications must sometimes be obtained. These can be acquired in the encompassing systems of adult education. This explains why a fairly large fraction of all university students in both countries do not enter directly from secondary school, but have first worked for some time before enrolling in higher education (Bygren, Duvander and Hultin 2002; Cort 2002; Statistics Denmark 2005). If the combination of school and work for the higher educated youth in some countries is a way to cope with increasing employment flexibility and the difficulties of becoming established in the labor market, it will be reflected in a longer, more unstable entry process for them.

The issue of remaining in education longer is more relevant in some country contexts than in others, and it is hard to disentangle where attendance rates have risen solely because of educational expansion and where, at least partly, young people opt to remain in education in order to avoid unemployment. Nevertheless, one thing is clear: having this opportunity has only become possible for many youth *because* of educational expansion.

However, not all young people have this option, and some face a higher risk of not only starting their career in a precarious job but also of facing high degrees of uncertainty throughout their whole employment career, which will be discussed in the next section.

## **INCREASING INEQUALITIES DURING THE EARLY CAREER?**

In one of the previous sections, we outlined *Breen's* theory of the transfer of market risks to employees. Concerning social inequality, we are interested in the question of which groups of young people are particularly affected by growing flexibilization. There are two opposing perspectives on the implications of labor market restructuring on social inequalities: the '*individualization thesis*' and the '*persisting (increasing) inequalities*' approach.

The first perspective traces back to Beck's risk society thesis (1992, 2000), which is also partially mirrored in Giddens's (1994) work. According to Beck, a new form of risk breaks up with the logic of class structure. The idea of class structure is tied to the nation state, but, today, inequalities must be linked to processes operating within the world economy; and the globalization itself serves to loosen the connection between economic and social inequalities and the individuals' class positions. It means that "class is no longer experienced as class," but rather as a variety of constraints and opportunities, in the formation of which globalization and flexibilization play a crucial role. The global risks have a leveling effect on all individuals, irrespective of their status or resources.

An opposite perspective can be found in the large body of research on social stratification and mobility. Numerous studies performed in the last decades have

pointed to the persistence of social class – and in a broader sense of individuals’ resources – in structuring the opportunities and constraints of the different aspects of the life-course. (With regard to the transmission of educational inequalities, see Blossfeld and Shavit (1993); concerning the intergenerational occupational mobility chances, see Erikson and Goldthorpe (1992) and Breen (2004); with regard to the impact of individuals’ resources on family formation process, see Blossfeld et al. (2005).) In brief, this perspective focuses on the serious changes in the labor markets of developed societies over the last decades that have occurred due to organizational re-structuring pursued by managements to cope with increasing volatility in a globalizing world (Breen 1997; Goldthorpe 2002).

Two main topics can be mentioned in which arguments and counter-arguments are developed by the ‘advocates’ of the two research lines: economic insecurity and social mobility. Most frequently claimed is that, in the globalized economy with *insecurity*, the risk of job loss and unemployment is no longer confined to individuals in disadvantaged class positions but becomes pervasive. Previously, it was common only for a great part of the (unskilled) working class, but, in the global economy, professionals, managers, administrative employees become similarly exposed to insecurity. The threats of unemployment and job loss – as Beck (2000) stresses - “correspond less and less to class stereotypes.” However, empirical findings of the research focusing on this association suggest that its strength has hardly changed in the last decade in countries with different employment regimes.

For instance, in Germany the probability of unemployment remained significantly higher among mid-career male employees in lower occupational positions (Kurz, Hillmert and Grunow 2006). For Britain, Goldthorpe and McKnight (2004), investigating the risk of recurrent and long-term unemployment, emphasize the persisting centrality of class in creating differentials in this respect: the relative risk of these forms of unemployment is apparently higher for individuals holding working-class positions. Similarly, in the Netherlands, manual workers had a substantially higher risk of entering unemployment than non-manual employees (Luijkx, Kalmijn and Muffels 2006). In Italy, the risk of unemployment is also strongly segmented by social class, those in the upper and lower service positions are most sheltered from job loss, and they have good chances of finding new employment (Bernardi 2006). In Hungary, mid-career men in higher-level occupations definitely have a lower risk of experiencing unemployment (Bukodi and Róbert 2006).

It can be expected that for young people the link between (initial) occupational class position and the risk of job loss might be even higher. Due to the lack of an appropriate amount of human capital resources, employment experiences, or networks, school-leavers who enter the labor market as unskilled (industrial or service) workers may have a much higher risk of experiencing unemployment during their early career than their counterparts in advantageous class positions. Employers tend to fire them more easily, because the dismissal costs are quite low, and they are ‘interchangeable’ in the sense that they do not possess any

knowledge, expertise, or skills which are particularly important for the employing organization.

Globalization theorists claim that the rapid change in the world economy can be considered as a source of new forms of *social mobility*, destroying long-term employment relationships and, eventually, serving to further reduce the significance of social class. However - as Auer (2006) emphasizes - there are empirical evidences against those who assume that globalization will lead to the disappearance of all traditional long-term employment relationships. Despite such claims, employment stability, measured by average tenure, has hardly changed over the nineties in the OECD-countries. But, as he also stresses, while the average remains unchanged, the different elements of it have been subject to change. In many countries, a substantial increase in temporary or fixed-term jobs can be observed that is often compensated by an increase in longer tenured jobs, pointing to continuing (and possibly increasing) segmentation, especially between young and mid-career employees.

According to a crucial argument of 'individualization' theory, the continuity of class membership - both in intergenerational and intragenerational terms - has been disappearing. Now fewer persons tend to follow their parents' occupational path, leading to a great deal of increased mobility between the different segments of jobs than there was before. Beck (1992: 88) claims "that what were formerly 'class biographies' and 'somewhat ascribed' are now being transformed into 'reflexive biographies' that 'depend on the decisions of the actor.'" However, the research on intergenerational class mobility has amply demonstrated that the net association between class origin and destination appears to be characterized by a high degree of temporal stability - or at least by a very low rate of weakening - in the majority of industrialized countries (Breen and Luijkx 2004). These studies have also pointed out that the strength of the relationship between educational attainment and occupational destination depends clearly on individuals' social origin (Goldthorpe and Jackson 2006).

Furthermore, the individualization thesis claims that class is not a 'lifetime experience' anymore, because job mobility over the course of persons' working lives has been increasing, and it tends to 'eliminate' the boundaries of occupational classes. However, Goldthorpe (2002) emphasizes those empirical evidences according to which the professional and managerial class can in fact be characterized by a particularly high level of retention, i.e., a low level of career occupational mobility in all modern societies; and this pattern seems to be unaffected by its rapid growth. Moreover, class mobility over the life-course appears to be also decreasing in manual occupational class, as a result - at least in part - of changes in the recruitment process to professional, administrative, and managerial positions, which is now more often made directly among highly educated school-leavers rather than through promotions (upward work-life mobility) (Gershuny 1993). Thus, while job mobility is undoubtedly higher now than it was before - due to the globalization and the flexibilization of the labor market - the work-life mobility across occupational classes appears to be falling. In other words, 'class is, if anything, becoming more of a 'lifetime experience''

(Goldthorpe 2002: 14). It means that for understanding the ‘new inequalities’ generated by a growing level of flexibilization, the ‘old’ concept of *occupational class*, which is based on the differentiation of *employment relations*, still seems to be of particular importance.

Conceptually, the widely-used ‘Goldthorpe class scheme’ – or EGP-classification – distinguishes three basic employment positions: employers, the self-employed, and employees (Erikson and Goldthorpe 1992; Goldthorpe 2000). Employees are sub-divided into a number of classes according to the type of contract they have, and thus the way their work is regulated by employers. Two basic contract types are distinguished: the labor contract and the service relationship. Each is seen as a response by employers to certain problems or risks they face in ensuring employees to perform as required. Specifically, different modes of regulating employment emerge on account of two basic problems: work monitoring and human asset specificity. Thus, different forms of employment relationships are conceived as a response to the weaker or stronger presence of monitoring and asset specificity problems in different work situations. Work situations with low monitoring problems and low asset specificity can be adequately and efficiently handled by a ‘labor contract,’ in which a quantity of labor is purchased on a piece- or time-rate basis (with unskilled work as the most typical example). In contrast, for work situations with high monitoring problems and high asset specificity the ‘service relationship’ is a more adequate response, that is a relatively long-term contractual exchange in which compensation for service to the employing organization comprises a salary, important prospective elements (salary increments, expectations of continuity of employment, etc.), and promotion as well as career opportunities. Modified versions of these basic forms of the labor contract and the service relationship, the so-called ‘mixed relationship,’ are likely to occur with supervisory, low technicians, and routine non-manual workers on the one side, and lower-level professionals, managers, and higher level technicians on the other.

Thus, in terms of the ‘Goldthorpe scheme,’ the industrial unskilled laborers and routine service workers are most exposed to, and the service class, comprising of managers and professionals, are least exposed to the rise in employment flexibility. The routine non-manuals and supervisors as well as skilled manual laborers are placed in an intermediate position. Moreover, flexible labor market positions have very different implications at different levels of employment relations. Upper and lower professionals in fixed-term jobs might be in a more advantageous situation than unskilled laborers or routine service workers in temporary contracts. For the former, non-standard work may serve as a ‘bridge’ into a permanent, standard position, but for the latter, a temporary job might become a ‘trap’ (see Bernadi and Nazio 2005; Layte et al. 2005).

All in all, Breen (1997) and Goldthorpe (2002) suggest that in times of globalization, market risks are increasingly shifted from employers to less powerful employees, particularly those employed in unskilled routine occupations regulated by labor contracts. This means that class inequalities are



expected to be increasing in the course of flexibilization for all population groups, but especially for young people who are exposed to these processes to the largest extent.

### **The impact of the diffusion of new technologies**

Globalization, including the rapid growth of information and communication technologies in the knowledge-based society, appears to lead to a growing demand for highly educated personnel displacing the poorly qualified workers. Generally, this refers to the process of *skill-biased technical change*, the idea that technology is biased in favor of skilled labor and against unskilled workers (Katz and Autor 1999). According to this approach, the unskilled are the losers and the skilled are the winners of the growing labor market flexibilization (e.g., DiPrete and McManus 1996). However, some economists (Autor, Levy and Murnane 2003) suggest a more subtle relationship between the technological development and the labor market demand for different skills. The impact of technology might lead to rising demand in highly skilled jobs (that typically require non-routine cognitive skills) as well as in the least skilled (service) jobs (that typically require routine manual skills) and falling demand in the 'middle-ranked' jobs (typically requiring routine manual and cognitive skills), in which technology can substitute for human labor. There are good reasons for assuming that these changes in the job/occupational distribution might have affected recent school-leaver cohorts the most.

It is also well documented in several studies that there is a trend towards increasing qualification level in all – even in the worst – jobs (e.g., Goos and Manning 2004). Two possible interpretations of this can be forwarded here. First, there has been skilled-biased technological change within all jobs; secondly, as the educational attainment of all population groups has risen, and the occupational distribution has become more polarized, a portion of the well educated young employees are forced into the lower skilled jobs at the bottom end of the distribution. The latter view gives an explanation for the tendency towards a simultaneous rise in the returns to education (since the demand for educated workers has risen as the number of good jobs has increased) and in the increasing level of over-education. Moreover, educational expansion has reduced the number of poorly educated individuals at a faster rate than the decline of jobs with low education requirements. In addition, the less educated depend more on the general demand for labor than the higher qualified. When the general demand for jobs declines (and employers are reluctant to create new positions), it is particularly difficult for persons with low education to find employment due to the fact that well educated people will increase the competition even for 'low quality' jobs (Aberg 2003). The result is that the less educated are crowded out of the labor market.

As Solga (2003) calls our attention, educational expansion has not only changed the share of less educated people, but also the 'quality' of this group, due to the changes in its composition caused by increasing selection in

educational system and alteration of employers' requirements. Thus, shrinking employment opportunities of poor educated young people are not only derived from the decline in their share but also from the behavioral changes of both employers and potential workers. The main argument is that – due to educational expansion – employers trust more in the sorting function of the educational system, leading to an exclusion of the less educated. The empirical findings based on West German data correspond to this theoretical reasoning.

In sum, it may be predicted that the substantial changes in the labor market structure caused by the diffusion of new technologies have a salient impact on the employment chances of recent school-leaver cohorts. These chances might become more unequal; the role of educational attainment in structuring them is expected to be increasing. For the poorly-educated without any 'valuable' qualification for finding a job, it may become more and more difficult and may take a longer time. But the risk of a non-optimal, inadequate labor market entry may have risen even for the better educated. The question is whether these 'bad entry' positions have a 'transitory character' to a better, 'established' labor market status or whether they mean an 'entrapment.'

### Trap or bridge?

One of the central questions of this research project is whether a *non-optimal career entry* – with respect to educationally inadequate positions and temporary jobs – has a long-lasting detrimental effect on the subsequent employment chances (e.g., a higher risk of recurrent unemployment, the circle of inadequate, flexible jobs) or whether it has a transitory character leading to a stabilization of the career (in other words, to an 'established' labor market position). There are two major lines of theoretical approaches concerning this: the stepping-stone and the entrapment hypothesis. The former emphasizes the temporal character of the first job(s) and assumes upward mobility, especially during the first phase of the career. On the contrary, the latter stresses that a 'bad entry' has salient negative consequences for employment trajectories.

Regarding the *qualification/occupation mismatch*, the *stepping-stone hypothesis* is derived from the economic theory of career mobility (Sicherman 1991). According to this approach, an inadequate status at the first job plays a significant role in the chance of moving to a higher-ranked position later on. The theory predicts that workers may be temporarily observed in jobs for which they seem to be overqualified (e.g., in routine service or in unskilled occupations), but which may provide them with skills to be used later in a higher level status. In other words, overeducated employees might acquire useful experiences which help them move upwardly during their (first phase of the) career. Hence, the over-education might be a rational choice for both sides, employees and employers, and in this model, over-qualification is regarded as a short-term mismatch occurring mainly at the beginning of an employment career. Sicherman's (1991) own empirical tests for U.S. data confirmed these expectations: the overeducated had better upward career mobility prospects than

the adequately educated workers. In Great Britain, the effect of over-education in the first job also proved to be positive on the chance of status gain, implying that – the relatively highly educated – over-qualified employees can manage to move out of low-level jobs (Scherer 2004). However, replicating Sicherman's multivariate model with the German data, a slightly different pattern of results was obtained. While under-educated workers are found to be more mobile, those working in jobs for which they are overqualified are significantly less likely to move upwards (Büchel and Mertens 2004). At the same time, a deeper analysis has shown that for workers with higher initial vocational training, over-education appears to be a temporal phenomenon in West Germany; these employees have significantly better chances of moving upwardly on the occupational ladder than their unskilled co-workers. In contrast, the career prospects of over-educated employees with low-quality vocational training are modest, namely for them, an educationally inadequate position appears to be a 'trap' (Pollmann-Schult and Büchel 2004). In other words, the chance of upward occupational mobility from inadequate positions seems to be dependent substantially on employees' initial educational/vocational level.

With respect to *temporary contracts*, the *stepping-stone hypothesis* rests on the screening approach. In this perspective, these jobs can be considered as an extended probation period (Wang and Weiss 1998). In order to reduce their risks due to the limited amount of information about the potential employees, employers tend to hire young workers on a temporary basis (especially in highly regulated labor markets where dismissal protection increases fixed labor costs to employers because of the restriction on their job termination rights). If the worker's performance is judged positively by the employer, the contract may be turned into permanent one; if not, the dismissal costs are saved. In this view, flexible, temporary jobs are particularly relevant for relatively well educated labor market entrants who have no previous employment records (which might serve as a 'signal' of their labor market 'value'), and for whom work productivity can be particularly difficult to assess in advance.

In its general form, the *entrapment hypothesis* can be derived from the segmentation theory (Doeringer and Piore 1971). The standpoint is that globalization generates uncertainty for organizations, which requires rapid and flexible reactions based on a restricted amount of information. This makes firms less able to predict the future, forcing them to employ more and more workers in the flexible forms. Yet, organizations increasingly face ambivalent goals, since they also need to invest in the maintenance and trust of their workforce. This may lead to segmentation of the labor market, distinguishing its 'core' and 'periphery' parts (Capelli and Neumark 2004). The 'core' offers long-term, stable employment with structured and predictable career opportunities. On the other hand, jobs in the 'periphery' segment are attached to lower skill requirements, lower wages, fewer career prospects, and unstable employment trajectories. In this segment, the primary goal of employers is to hire and fire workers without expensive dismissal costs (in order to regulate short-term fluctuations in demand). It means that non-optimal positions – especially for

labor market entrants - are found in the 'periphery' segment to a greater extent than in the 'core' positions. Moreover, the mobility flows between the two parts of the labor market are limited, resulting in a possible entrapment in the 'periphery' for employees in 'bad' entry jobs

'Bad' employment positions (temporary contracts, educationally inadequate positions, unskilled, routine jobs) can also be considered by potential employers as a 'signal' of the lack of the applicant's skills, abilities, and qualifications, because these jobs are not accompanied by the same opportunities for further (general and specific) training than 'normal' positions (Goudswaard and Andries 2002).<sup>3</sup> Overall, it can result in a lower accumulation of human capital among employees who entered the labor market in a 'bad quality' job, leading to lower chances of further career developments. Apparently, also in the framework of human capital theory, non-optimal career entry might have a detrimental effect on subsequent employment chances.

Most studies investigating the effect of a temporary contract in the first job on employment chances in the future have focused only on transitions immediately after the labor market entry, ignoring the subsequent work trajectories, and they have had mixed results. Scherer (2004) – examining the trends in West Germany, Great Britain, and Italy – has not found a negative (but neither a positive) effect of temporary jobs on later occupational positions in any of the three countries. Booth, Francesconi and Frank (2002) have revealed some evidence to suggest that fixed-term contracts are stepping stones to permanent positions in Britain. Gash (2004) has found a considerable large share of workers with temporary contracts making transitions to permanent employment in the UK, Denmark, and France. In addition, employees in temporary jobs tend to make more transitions into permanent positions than to unemployment in each country. For Germany, McGinnity, Mertens and Gundert (2005) have pointed out that a few years after labor market entry, the unemployment rates and occupational status of those entering in fixed-term jobs and those starting with permanent contracts appear to converge, implying that a temporary job does not mean a real 'bad entry' in this country. However, this is not confirmed by Giesecke and Gross (2003), whose findings suggest that fixed-term employees in Germany are more likely to experience unemployment and to enter the second fixed-term job, leading to a 'trap' in these positions.

To sum it up, the empirical evidences referred to above do not give a clear picture on the role of non-optimal entry positions for the chances and the risks of subsequent employment careers in different countries. Some results support the arguments of the stepping-stone approach, but others work in favor of the entrapment hypothesis. It can be predicted that – in addition to the data-sets and analytical strategy applied in the different studies – findings depend to a large extent on the institutional framework (vocational system, labor market regulations, employment sustaining policies) of the given country. For instance, in regimes with closed employment relationships, a non-optimal entry – in terms of education/occupation mismatch – might have a particularly detrimental effect on subsequent career chances, because in the case of a 'bad' first job, it is

difficult to get back on track. While in countries with open employment systems, a non-optimal entry might serve as a stepping-stone to a better, secured labor market position. Among others, these questions will be explored in the country studies of this project.

## **INSTITUTIONAL SETTINGS**

Though we have argued that the flexibilization of labor markets is expected to affect the employment careers of young people, we do not assume that such influences will be homogeneous across all countries or that we will find a convergence of labor market entry processes and early employment trajectories across all modern societies. Instead, we expect that national institutional settings will have a mediating effect on how labor market entrants are affected by increasing labor market flexibility and, in this way, how national social inequality structures have developed in recent years. Country-specific institutions and historically grown social structures determine how early employment careers are re-shaped in an era of flexibilization. As Mills and Blossfeld (2003) have argued, institutions and national structures have a certain inertial tendency to persist (Esping-Andersen 1993) and act as an intervening variable between global macro forces and the responses of individual actors on the micro-level (Regini 2000; Mayer 2004). An appropriate approach to cross-national differences has to rely on a systematic consideration of national institutional settings and the interplay of different domestic institutions (Mills and Blossfeld 2005; DiPrete et al. 1997). How labor market entry and early careers are re-shaped under labor market flexibilization strongly depends on 1) the educational system, 2) the production regime and the industrial relations between capital and labor, and 3) the welfare regime in the form of labor market policies.

### **Educational regimes**

The chances and options for entering the labor market and the further course of the early career are strongly dependent on the type of the educational system. Modern societies organize their educational and vocational training systems as well as their systems of higher education differently. The organization of the educational and vocational system has far-reaching implications for the duration of job search, the matching quality of the first job and the individual's qualifications, and the mobility processes in their early careers (Shavit and Müller 1998). Additionally, the organization of education has consequences for the capability of companies to cope with economic changes and the ability of employees to adjust to different forms of flexibility (CEDEFOP 1993).

Allmendinger (1989) has introduced a useful typology for the classification of educational systems that meets the requirements of an internationally comparative approach (see also Blossfeld 1992; Shavit and Müller 1998). It is

centered on two dimensions: standardization and stratification. *Standardization* denotes “the degree to which the quality of education meets the same standards nationwide” (Allmendinger 1989: 46). *Stratification* refers to the number and type of transitions to the next educational level. On the basis of these dimensions, Allmendinger elaborates a classification according to which she organizes educational systems and vocational training.

Regarding labor market entries and early careers, the following implications are of interest: in *standardized systems* generally, *certificates* provide employers with reliable information about the suitability of employees (Allmendinger 1989; Tuma 1985; Müller, Gangl and Scherer 2002; Breen 2005). This results in *smooth transitions* between the educational and the occupational systems. *Stratified systems* provide firms with pre-selections of people performed by schools. Thus, the extent of standardization and stratification affects the *matching processes* between education and work at labor market entry and crucially determines upward and downward *mobility* over the working life. Hence, mismatches of individuals and jobs as well as high rates of occupational mobility are to be expected from *non-stratified and non-standardized educational systems* (e.g., in the USA). Quite the contrary, *stratified and standardized educational systems* (e.g., the tripled educational system in Germany) reduce entries in inadequate positions and hence the upward and downward job mobility (Scherer 2005). Educational systems with a combination of both characteristics lie in between these two extremes.

Apart from their system of general education, countries can be differentiated by the way they organize vocational training (Blossfeld and Stockmann 1998/99; Shavit and Müller 1998); this can be: 1) ‘*theoretical*’ *vocational training mainly in schools*, 2) a *dual system* that includes both school training and job experience at the work place, and 3) *on-the-job training*. These types of vocational training have a different impact on the duration of the job search, the matching quality, and the mobility processes in their early careers.

In countries where training is merely limited to *theoretical learning in vocational schools* (e.g., in the Netherlands, Sweden, Hungary, Estonia), labor market entrants lack practical experience and networks, which puts them in a disadvantageous position compared with the more experienced workers. Thus, labor market entrants engaged in training from these systems may increasingly have to deal with relatively long phases of job search before they are able to make the transition from vocational training to employment. On the other hand, theoretical vocational training promotes a broad theoretical understanding of a specific job and provides general skills enabling entry-level employees to start in adequate positions. Their broader understanding of occupational activities should also make it easy to transfer young employees between firms within the same vocational field fostering inter-firm mobility.

In contrast, the highly specialized vocational training of a *dual system* combines theoretical learning with practical work experience (e.g., in Germany, Denmark). It enables a large number of apprentices to make a smooth transition to the employment system (Blossfeld and Stockmann 1998/99) with only a short

duration of job search (Müller, Gangl and Scherer 2002). Additionally, the dual system supervised by national institutions provides a highly standardized qualification with corresponding certificates that prevents unintended mismatches: since its standards are partly set in accordance with companies' requirements, employers can refer to these certificates as signals for the employees' key qualifications, whereas employees can use them as a basis for negotiations. This system, however, responds relatively sluggishly to new and rapid changing technologies, and the labor market is segmented by occupational skills. Thus, a close coupling between vocational skills and occupational opportunities confines job and occupational mobility and is disadvantageous for those individuals whose vocational skills have become obsolete on the labor market and even more so for those lacking any vocational education since the demand for unskilled jobs declined in the course of technological progress and the outsourcing of these jobs to lower-wage countries.

Non-standardized *on-the-job training* (e.g., in the USA, UK, Italy, Spain) displays advantages insofar as the employees are not restricted to narrowly defined occupational fields, at least because of "fewer structural barriers in terms of recognized certificates" (Mills and Blossfeld 2005: 11). The disadvantage of non-standardized on-the-job training is that neither employers nor employees can rely on certificates, which enhances the odds of mismatches. Therefore, becoming established on the labor market is prolonged in terms of a suitable and permanent job match. However, the degree of flexibilization plays an overriding role for the behavior of employers in countries with on-the-job training. The transition from vocational (and educational) system to employment system is relatively smooth in countries with low employment protection legislation and relatively long in the context of high employment protection legislation (in further EPL). While dismissals in countries with high EPL (e.g., in Italy and Spain) are very costly, which makes employers rather reluctant to employ entry-level employees, in countries with low EPL (e.g., in the USA and UK) the contracts are easily cancelable, allowing employers to filter out the less suitable candidates (Müller, Gangl and Scherer 2002; Breen 2005; Scherer 2005). Oppenheimer and Kalmijn (1995) demonstrated that young Americans increasingly start their career in so-called 'stop-gap-jobs' described as unskilled and temporary positions. Yet most of them are able to move to 'normal' career-entry positions after a while.

Referring to the different vocational training systems discussed above, all systems more or less re-confirm inequalities in their own ways: the system of *theoretical learning in vocational schools* as well as the *dual system* insofar as some youth do not pass the training system or do not get the necessary certificates because of lacking financial resources. *On-the-job training* may theoretically offer more equal opportunities at the beginning, but the opportunity to use an unskilled and temporary entry position as a bridge will be strongly dependent on the entrants' previous investments in human capital.

**Production regimes and employment protection legislation (EPL)**

The production regimes have been captured in terms of ‘coordinated’ and ‘uncoordinated’ market economies (Soskice 1999). According to Soskice (1991, 1999), *coordinated market economies* are characterized by trust transactions (e.g., expressed by long-term financing of firms, functional flexibility of employees, cooperation between employees and firms, etc.) that foster employers to commit to long-term relationships with their employees. As a consequence, trade unions in coordinated market economies are relatively strong. In contrast, in *uncoordinated market economies*, workers have a limited scope for participating in firm-internal decisions, they can easily be substituted, and open employment relations are prevailing. Consequently, trade unions have less bargaining power. Production regimes determine labor legislation and administrative regulations (Streeck 1984; Soskice 1999; DiPrete et al. 1997). In our context, we are especially interested in EPL as a set of rules governing the processes of hiring and firing (OECD 2004). The EPL index *reflects the cost implications* of various regulatory provisions for employers. The EPL index encompasses three main components: protection of regular workers against dismissal, regulation of temporary forms of employment, and requirements for collective dismissals. While the EPL indicator for regular contracts measures the possibilities at hand to dismiss an employee, the regulation of temporary forms of employment reflects the restrictions which confine the use of temporary contracts with respect to type of work. The rigidity of EPL defines opportunities and sets limits for firms regarding the implementation of different types of flexibility. The strictness of EPL therefore has consequences for the early labor market experiences of labor market entrants and young employees in different countries (Gangl 2003). Initially, coordinated market economies introduced EPL to improve employment conditions, encouraging employees to commit to long-term contracts and to invest in on-the-job-training. However, in the new context of the rapidly changing global markets, high EPL impedes the adjustment of companies to the changing environment. In this respect, in the last 15 years, countries with the most rigid labor markets introduced measures to reduce the strictness of EPL. However, the process of convergence has taken place at costs of facilitating EPL for temporary forms of employment while most countries kept intact the EPL for regular employment (OECD 2004). A different EPL for regular and temporary contracts in each country is crucial in explaining the rise of temporary flexibility form for youth. Facilitating the use of temporary EPL but not changing EPL on regular employment might aggravate labor market duality and entrap youth in temporary forms of employment depriving them of career progression.

*Sweden, Germany, the Netherlands, and France* are usually described as highly coordinated market economies with rather highly specialized workers, strong labor unions and centralized procedures for negotiating wages (Marsden 1995; Regini 2000; Soskice 1991, 1999; DiPrete et al. 1997), which results in a relatively high EPL (*Denmark* is a coordinated market economy with a



traditionally low EPL); Southern European countries like *Spain and Italy* are semi-coordinated market economies and extreme cases of so-called '*insider-outsider*' labor markets. In general, labor markets in economies with high EPL tend to separate the insiders from the outsiders: on the one side, there are insiders who are privileged to enjoy certain outcomes of negotiations between unions and employers, on the other side, there are outsiders (labor market entrants and re-entrants) who are deprived of seniority and experience and who do not have strong ties to work organizations and work environments. For these outsiders, it is very difficult to get access to the labor market. Additionally, closed employment relations protect insiders relatively well against and expose outsiders such as youth to labor market flexibility. As mentioned above, most Western countries with rigid labor markets flexibilized their labor markets by reducing the EPL for temporary forms of employment, led by Italy and followed by Sweden, Germany, the Netherlands, and Spain. Spain even managed to deregulate permanent forms of employment whereas France slightly strengthened EPL for temporary and permanent forms of employment (OECD 2004). Despite the convergence of EPL figures in coordinated market economies, they still differentiate enormously between coordinated and uncoordinated market economies.

In countries with a high EPL, the main consequences for labor market entrants and young employees might be that 1) despite the flexibilization of the labor market, the entry into the labor market is still problematic for young people, especially when the general level of unemployment is high; 2) due to EPL deregulation of temporal contracts, specific groups seeking access to the labor market will face not only temporal contracts but also other forms of precarious employment, since temporal contracts are considered as stop-gap-jobs; 3) and although many coordinated market economies are so called 'collectivist' regimes, "where an individual's structural location or resources play a more restricted role in labor market outcomes" (DiPrete et al. 1997: 321), we believe that due to rapid technological changes, individual resources will gain importance.<sup>4</sup>

In contrast, *the USA and in the last decades also the UK* (starting with Margaret Thatcher) can be classified as uncoordinated market economies with decentralized and dualistic systems of industrial relationships, dominating open employment relations, where protective forces such as labor unions or job security and stability related legislation are quite weak (Sørensen and Tuma 1981). Due to low EPL, workers are barely shielded against market mechanisms, and individuals' labor market resources such as education and labor force experience are crucial (DiPrete et al. 1997). Employees and especially labor market entrants are relatively unprotected against uncertainties. According to OECD (2004), in the last two decades, the *EPL index has not decreased for the USA and the UK*. The UK's EPL index experienced even a slight increase for both temporary and permanent contracts since the 1990s.

Even though flexibility tools have already been at companies' disposal in the USA and the UK, we expect that the exigency for flexibilization will induce

companies to make use of flexibility strategies even more rigorously. As a consequence, the labor market in these countries should become even more dynamic. Thus, young people at the beginning of their employment career might still expect smooth transition into the labor market but at the same time the risk of becoming unemployed might increase. The figures of precarious employment forms should grow especially for lower qualified entrants. The overall mobility such as downward mobility, chances of upward mobility and re-employment is expected to rise; and individual human capital resources should become even more crucial for the further course of their career.

People in *former socialist states like Hungary and Estonia* have experienced severe political and economic changes as their countries turned into more market driven economies. While older cohorts grew up in a system where employment was literally guaranteed with extraordinarily high job security also for women, youth, and older workers, younger cohorts have entered the labor market after this 'shock' during a period of economic depression and turbulent change (Mills and Blossfeld 2005). Generally speaking, the transformation period in former socialist countries can be divided into two parts: the early transformation and the stabilization period (see Cazes and Nesporova 2003; Kogan and Unt 2005; Bukodi and Róbert 2006). In the first years of economic transformation, reforms stimulated restructuring connected with massive job destruction and reallocation of labor. An aggravating circumstance for labor market entrants in post-socialist states is that low EPL is combined with high unemployment rates. The labor markets of these countries are less flexible than that of the UK or the US, but certainly not as rigid as those in Southern Europe. Nevertheless, there is variation between these countries in this respect. While EPL is very low in Hungary, it is highest in Slovenia, with Estonia lying somewhere in-between (Cazes and Nesporova 2003).<sup>5</sup> In Hungary for instance, an increasing proportion of newly created jobs are temporary, and individuals in fixed-term jobs are over-represented among young people (Róbert and Bukodi 2005). As far as the socio-economic composition of fixed-term employees is concerned, this type of working arrangement is most widespread among the less educated, unskilled workers. Like in the other post-socialist countries, in Hungary and Estonia, the economic transformation, which was followed by increasing flexibility in the labor market, resulted in a 'boom' of downward as well as upward mobility (Bukodi and Róbert 2006).<sup>6</sup> Considering the results of earlier studies, we believe the main consequences for labor market entrants and young employees in post-socialist countries will be that their entry into the labor market will become increasingly difficult; precarious employment forms will be concentrated in certain social groups (low educated); their rate of mobility should be relatively high, especially upward mobility; the duration of unemployment is expected to be rather long; and individual human capital resources should play an increasingly important role.

**Labor market policies**

Apart from educational systems and production regimes, in industrial countries, market risks of those affected by employment insecurity are channelled by active, passive, or nonexistent labor market policies. Slightly modifying Esping-Andersen's (1990) conceptualization of welfare regimes, we differentiate the countries included in our study merely with respect to labor market policies.

The *US* and to a lesser extent the *UK* are known as *liberal welfare states* with passive labor market policies and moderate support for those who are outside the labor market. Low income security in terms of relatively low and highly conditional unemployment benefits coerces many young people into employment. Furthermore, due to the low unemployment benefits, many people are forced to take less attractive job offers (Gangl 2004), which induces mismatches and, in turn, can reinforce downward mobility, but also upward moves at the prospect of a better position. Job security is low in these countries. Following the laissez-faire principle, neither the state nor the companies feel obliged to support the (re-)qualification of the workers, which especially affects the poorly educated young people who are considered as the cheap workforce.

In *Denmark and the Netherlands*, the concept of 'flexicurity' has been promoted for a while now. This term refers to labor market policies aiming at a balance between the needs of flexibility and the demands for employment security: it is a combination of high flexibility, high income security (unemployment benefits), and active labor market policies (OECD 2004). By means of active labor market policies, the governments strive for high employment rates applying Keynesian demand policies and mobility stimulating measures such as mobility grants, retraining, and fixed-term contracts. The fair income distribution with a high degree of wage compression is only possible through relatively high levels of individual income taxes. An expanding public service sector with relatively low wages for public employees guarantees a high rate of female employment. According to recent studies (Muffels and Luijkx 2004; OECD 2004), this concept provides the best results in reducing employment insecurities. And in spite of the high level of flexibility, these countries display the lowest degree of uncertainties (Auer 2006).

States like *Germany, Sweden, and France* provide fewer incentives for integration and re-integration in the labor market. In these countries, we find a combination of high job security, moderate employment security, and high income security. Compared to the countries of the flexicurity cluster, active employment-sustaining policies play a secondary role here. Instead, they are strongly transfer-oriented; the policies are focused on protecting the living standards of those who are not active members of the labor force. Therefore, these countries guarantee support for relatively long durations of unemployment as well as generous compensations for early retirement. This costly welfare system has to rely on tax increases during periods of high unemployment (Mills and Blossfeld 2005). We believe that the lack of activation measures and re-training programs coupled with the decreasing demand for lower qualified jobs

will aggravate the situation for the less educated youth, thereby deepening the cleavage *between insiders and outsiders*.

With respect to integration and re-integration of young people into the labor market, Southern European countries (e.g., *Italy and Spain*) – described as family-oriented welfare regimes (Guerrero 1995) – resemble liberal countries: they offer the youth rather passive labor market policies, and only moderate support for those who are outside the labor market (low income security). The reasons behind these similarities are different: in liberal countries, the state gives way to the rules of the market, whereas in Southern European countries the minor importance of the state is related to a specific ideological and practical involvement of the family and kinship networks. Thus, the family-oriented welfare state model owes its informal institutional character to the deeply cultural view of morally reciprocal attitudes. In Southern European countries, the youth stay in the parental home relatively long because of *high labor market risks* (Guerrero 1995). Since the state does not provide protection against these risks and the related uncertainty, the question rises as to what extent families are able to shield young people against them.

All *post-socialist countries* have in common that, compared to the rest of the EU, they spend significantly less on *measures of active and passive labor market policies* (Riboud, Sánchez-Páramo and Silva-Jáuregui 2002). While various programs clearly aim to make the transition from school to work easier and smoother and also to increase job stability among the most disadvantaged young people in these countries, there is no empirical evidence confirming their success (ILO 1999). In addition, over the last decade, unemployment insurance systems have become less generous in almost all post-socialist countries offering only low levels of income security. Hence, *Hungary and Estonia* experience a relatively *low degree of employment security*. The characteristics of employment regulations described above contribute to the development of the insider-outsider labor market in post-socialist countries, and under these circumstances, the youth might be extremely vulnerable, particularly at employment entry.

## **FLEXIBILIZATION AND PATTERNS OF SOCIAL INEQUALITY WITHIN INSTITUTIONAL CONTEXTS**

Now that we have discussed the influence of educational, production, and labor market policies on labor market entry and early careers, we are able to draw more specific conclusions. In this section, we consider the different combinations of these institutions. We do this with special regard to patterns of social inequality that we expect to emerge under increasing labor market flexibility.

We cluster the countries under study with respect to the main flexibility forms applied to young people on the labor market. As stated above, globalization has caused a rise in employment flexibility in almost all modern societies in the last decades. Nevertheless, in some of them, labor markets have already been very flexible while other countries have just started to implement new flexibility

forms. Labor market policies and the organization of educational systems are also efficient tools for an intervention of the impact of globalization on the labor market. While institutional changes in EPL and labor market policies are more or less easily feasible, the changes in educational systems are lagging and protracted. Thus, we decided to cluster the countries under study with respect to the degree of flexibilization and labor market policies. Mainly by means of these institutional settings, countries respond to rapid changes in the globalizing world. The degree of flexibilization is captured in terms of the EPL. As the recent literature suggests, different labor market policies and income transfer systems provide different results for employment security concerning chances of upward and risks of downward mobility, risks of unemployment, and income security, as well as uncertainty (Auer 2006; OECD 2004; Muffels and Luijkx 2004; Muffels and Luijkx 2006).

Figure 1.1 places countries covered by this study with regard to the degree of flexibilization and the labor market policies. On the right top of the diagram are *flexicurity* countries with a relatively high degree of flexibility and pronounced active labor market policies. Countries providing low measures on active and/or passive labor market policies but displaying high flexibility are on the right bottom of the graph, as they follow a *liberal strategy*. The countries with *insider-outsider labor markets* either are of low flexibility coupled with passive labor market policies in corporatist countries or lack labor market policies like Southern European countries (see left side of the graph). However, we should keep in mind that since the 1980s, countries with a strict EPL have made some efforts to flexibilize their labor markets. The post-socialist countries reduced their EPL as well, abolished an obligatory inclusion into the labor market without subsequently providing active labor market policies, and even de-standardized their educational systems thereby moving towards the liberal cluster with respect to their institutional settings. We call them *transition countries* and place them close to liberal countries.

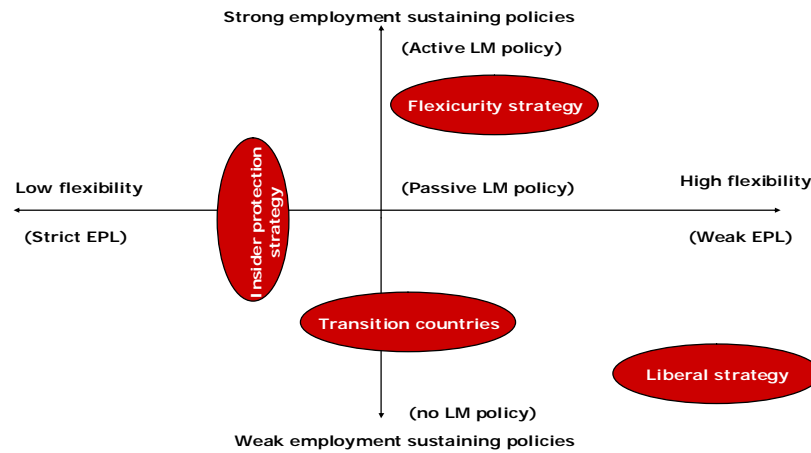


Figure 1.1 Location of countries with respect to the main flexibility strategies applied to labor market entrants

These four country clusters will help one to understand the main forms of flexibility strategies applied to young people. In this respect, we identified a liberal strategy, a flexicurity strategy, and an insider protection strategy. For transition countries, there is no clear and well defined strategy yet.

*The US and the UK* are uncoordinated market economies with a low EPL, marginal labor market policies, a weak linkage between educational and employment system, rather powerless trade unions, and with low level of certificated vocational skills. Thus, labor market entrants are exposed to all disadvantageous flexibility strategies which are at a company's disposal: numerical flexibility, temporal flexibility, wage flexibility, and externalization. Their reinforced usage might cause increasing uncertainty among labor market entrants. Though weak EPL allows a rapid integration *at the entry* into the labor market, the likelihood of starting in a *precarious* form of employment is very high as well as the risk of unemployment, because many companies that lack standardized certifications screen the abilities of employees on the job. *Early careers in liberal countries are unstable* as the weak linkage between occupational qualifications and employment systems enhance the likelihood of initial mismatches enormously. Hence, the rate of leaving the first job is relatively high. Due to on-the-job training, many entrants start their jobs in

unqualified positions; therefore, precarious employment forms are common (Grubb 1999).

Though liberal countries have already been providing companies with all the flexibility tools, we expect that growing dynamics and the *volatility of global markets will enforce companies to apply these flexibility strategies even more rigorously*. Hence, we believe that many entry-level employees will increasingly start their first jobs in under-qualified and precarious positions. *Early careers in liberal countries* are expected to become even more *unstable* and the establishing phase is expected as *being prolonged*, since under new economic conditions, binding commitments of employers towards entrants are declining. The lack of valid perceivable signals of the quality of education and the fear of poaching intensifies the reluctance of employers to invest in occupational training. Binding commitments are strongly dependent on the human capital of labor market entrants. Since a higher academic education became a prerequisite for qualified and challenging jobs, and employers are rather reluctant to invest in vocational education for lower educated persons, we expect that labor market entrants with lower education will especially be increasingly exposed to all disadvantageous flexibility forms. By the same token, we expect that employment careers of low qualified persons will gain an ‘entrapment’ character depriving them of the chances of becoming established on the labor market.

*Denmark and the Netherlands* – following a flexicurity strategy - are highly coordinated market economies with a strong linkage between the occupational and employment system, and with a collective bargaining system. Struggling with the impact of globalization, both countries organize their labor markets by reduction of EPL (though Denmark had already a long flexibility tradition) and by launching active labor market policies. This flexicurity approach suffices the demands of dynamic labor markets and at the same time provides high employment security (OECD 2004; Muffels and Luijkx 2004). Denmark has the most deregulated labor market among coordinated market economies, and the Netherlands displays the highest disproportion between permanent and temporary employment protection regulations (the EPL for permanent jobs is more protected than the EPL for temporary jobs). Thus, the main flexibility strategies applied to young entrants in both countries are numerical and temporal flexibility, but by no means wage flexibility. The interplay of the high degree of flexibility, active labor market policies, and a standardized educational system allows a *rapid labor market entry* for young people. A strong linkage between occupational abilities and the employment system enhances the chances of finding a first position which matches the entrants’ qualifications. Also, the generous social benefits allow a prolonged search for adequate positions (Gangl 2004). The institutional settings guarantee *relatively stable early careers* (OECD 1998). Compared to other countries, the risk of precarious jobs is low.

Flexicurity countries are the best equipped countries to meet globalization demands while concomitantly providing high employment security. Nonetheless, we expect that the flexibilization will be carried out at the cost of young people for the following reasons: while regulations for temporary contracts have been

relaxed, regulations for permanent jobs have not been changed. Thus, many older workers are still protected by permanent contracts (especially in the Netherlands) and are under the aegis of trade unions. Furthermore, due to work experience, the relationship between established workers and employers is rather based on symmetric commitments. We also believe that in the long run, flexicurity will not be enough to guarantee low educated entrants a successful integration in promising jobs, since the expenditure for labor market programmes are very high (e.g., 5 percent of the Danish GDP). Thanks to a disproportional EPL – with highly protected permanent and less protected temporary contracts – employers in the Netherlands might see the latter as an easy and inexpensive way of adjusting to market changes. Thus in the Dutch context, unskilled workers are expected to increasingly get temporary contracts associated with ‘bad’ jobs, which usually require little knowledge and training. By the same token, the changes on the global markets will increase the number of lower educated people working in precarious casual jobs in Denmark.

Though most countries described as *insider protection countries* introduced legislation for deregulation of temporary contracts, the overall EPL index is still higher than in liberal and flexicurity countries. In insider protection countries, labor market policies are non-existent or are targeted on sustaining the status quo and less on the integration into the labor market. In these countries, the exigency for flexibilization will split society into two groups: well qualified labor market insiders, whose jobs are relatively well protected, and outsiders (labor market entrants and especially low educated entrants), who are deprived of experience and who do not have strong ties to work organizations and work environments. Thus for these outsiders, it will be increasingly *difficult to get access to the labor market*, and they will encounter all the disadvantageous flexibility strategies and perceive uncertainty. Due to their missing bargaining power, entrants will have to put up with the employers dictating the conditions of their employment contracts. However, *the institutional linkage between occupational qualifications and employment in each country plays an overriding role for the transition from entrances’ outsider status to insider status*. In contrast to the semi-coordinated market economies (Italy and Spain), in coordinated market economies (Germany, France, and Sweden), a standardized educational and vocational system dominates, which guarantees solid occupational skills and provides employers with reliable signals reducing the risk of mismatches. Hence, the standardized educational regimes in coordinated market economies facilitate the transition into an insider status for well qualified entrants.

Though the deregulation of *EPL for temporary contracts* (mainly by loosening the restrictions for the use of temporary contracts and by hiring from temporary work agencies) over the last decades might facilitate the access to the labor market, achieving an insider status will be increasingly difficult. Many entrants are expected to face a prolonged establishing process. Especially the lower qualified entrants will rarely become insiders: the technological shift over the last decades made the lower qualified persons redundant. Furthermore, employers are unwilling to invest in human capital for the poorly educated



persons, considering them as a cheap workforce since they are easily replaceable. Thus, many of the lower educated entrants might never become established in the labor market. We believe that they increasingly experience more of the low qualified entrant situation in liberal countries: numerical flexibility, temporal flexibility, and even wage flexibility.

*The transition countries Hungary and Estonia* are gradually moving away from the model of obligatorily regulated inclusion to the model of competitive regulation (CEDEFOP 2001). Though both countries are moving towards the liberal countries with respect to employment and welfare regimes, the relatively high unemployment rates induced the formation of *insider-outsider labor markets*. The curricula of the educational institutions also became more general, thereby weakening the matching quality between qualifications and the first job and aggravating school-to-work transitions (Róbert and Bukodi 2005). Hence, *labor market entry* in post-socialist countries might increasingly become as severe as in Southern European countries marked by high levels of uncertainty. However, the full consequences of the evolution of new production regimes and systems of industrial relations still have to be investigated. With regard to the *early career process*, we expect a huge increase in the amount of career shifts and a significant decrease in job stability in the first years of the nineties for young labor market entry cohorts. According to our hypothesis, after the mobility ‘boom’ of the initial phase of transformation, employment movements might be stabilized, resulting in relatively low career mobility rates. However, since the second half of the nineties – due to the increasing flexibilization of the labor markets and weak employment sustaining policies as well as changing educational systems – more job and occupational mobility is expected. In addition, we believe that job stability, the chances of upward mobility, and the risks of downward shifts are strongly structured by human capital endowments and occupational classes. The lower-educated youth who entered the labor market in bad jobs (as unskilled workers, under-educated etc.) are expected to be entrapped in these positions; namely, as the probability of job stability might be very low for them, they can become unemployed easily. In other words, they might constitute the group of outsiders as compared to highly qualified young individuals with more secured employment who constitute the core of the labor force.

## **ANALYTICAL STRATEGY**

The most important aim of this research is to investigate the process in which young people obtain an ‘established,’ secured labor market position in the time of growing flexibilization. What ‘becoming established’ means, however, differs from country to country. It depends on a number of factors including the most important characteristics of the institutional background, the job creation possibilities employers have, and the overall economic situation of the country.

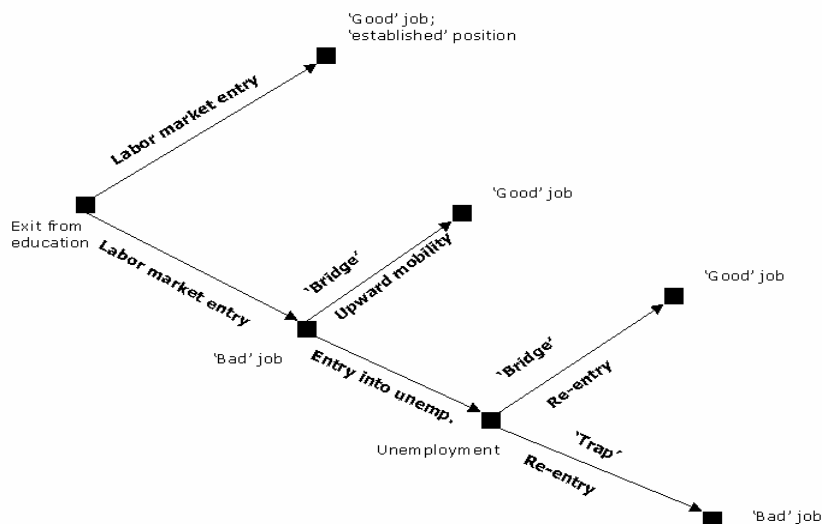


Figure 1.2 The process of labor market entry and early career

Figure 1.2 describes the simplified analytical strategy followed in this project. The country studies examine the early career of recent school-leaver cohorts via different transitions, depending on the institutional background of the given country: the timing of labor market entry after school completion, the chance of upward mobility during the first phase of the employment trajectory – taking the characteristics of the first job(s) into account, the risk of unemployment (or/and the risk of downward shift), and the re-entry into the labor market from unemployment. Since one of the central interests of this study is to investigate the consequences of ‘bad’ and ‘good’ labor market entries for subsequent careers (trap or bridge hypothesis), each country study draws special attention on examining the quality of the first job. Of course, the definition of ‘bad’ and ‘good’ labor market entry depends to a large extent on the institutional features and the social and cultural background of the given society. For several country analyses, it is based on education/occupation mismatch, for others, the definition rests on the probability of temporary or fixed-term employment, and for some studies, it is built upon the odds of involuntary part-time employment or the risk of being employed in a low-paid job. Not only the definition of the quality of

entry jobs, but also the criteria for upward and downward mobility are dependent on the institutional context. In the majority of country contributions, the Standard International Socio-Economic Index of occupational status (ISEI-scores) (Ganzeboom and Treiman 1996) is applied to determine status gain and loss, however in some studies, income information is used instead.

Our intention is to search for empirical evidence to either confirm or disconfirm the impact of growing flexibilization on the labor market chances and risks of youth led to the use of individual-based event history data and longitudinal analytical methods and techniques (Blossfeld and Rohwer 2002). The majority of data used in this volume came from longitudinal panel surveys or retrospective studies collected in the 1990s and the early 2000s.

For our objectives, event history methods are ideal as they allow for 'causal-type' analysis of events that represent changes from one discrete life course state to another. Since we also intend to examine empirical consequences at the individual level, this general approach is the most desirable. Statistical applications included piecewise exponential and logistic models. Since technical aspects of the models have been specified elsewhere (Blossfeld and Rohwer 2002), the focus of this volume is rather on the substantive results than on explanations of the methods applied.

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## NOTES

- <sup>1</sup> Bredgaard, Larsen and Madsen (2005: 23) introduce a fourth kind of security: *combination security*, i.e., the possibilities available for combining working and private life, e.g., through retirement schemes, maternity leave, voluntary-sector unpaid work etc.
- <sup>2</sup> Mills and Blossfeld (2005) distinguish *three kinds of uncertainty*: *economic uncertainty* (see also Bernardi 2000; Kurz, Steinhage and Golsch 2005), *temporal uncertainty* (Breen 1997; Kurz, Steinhage and Golsch 2005), and *employment relationship uncertainty* (Bernardi 2000).
- <sup>3</sup> But Gallie *et al.* (1998) emphasize that differences in skill requirements between temporary contract and permanent employees are primarily due to the occupational class position of jobs; in addition, the training gap between them had diminished since the mid-eighties.
- <sup>4</sup> In 'collectivist' mobility regimes labor organization is grounded on credential-based occupational structure, which channels the job options.
- <sup>5</sup> In fact the EPL in Estonia is much lower (Täht and Saar 2006) since the measure of employment protection is mainly based on legislative provisions.
- <sup>6</sup> There was a rapid increase in downward and upward shifts for all cohorts in the first half of the nineties, but older cohorts generally faced a much higher risk of downward mobility, while the likelihood of moving up increased mostly only for the younger cohorts. It should be noted that by the second half of the nineties, career mobility flows became less turbulent in post-socialist countries, and the slight increase in the upward mobility chances indicates that forced moves of the first period of transformation are being replaced by voluntary shifts.